



Dan Bucks  
Director

# Montana Department of Revenue



Brian Schweitzer  
Governor

January 17, 2007

RECEIVED

JAN 30 2007

Ravalli County Commissioners

To: Ravalli County Treasurer  
JoAnne Johnson  
415 S 4th St Suite H  
Hamilton, MT 59840

RE: Tax Year 2005 Settlement Agreement between Qwest Corporation and the Department pertaining to the Montana Apportioned Value

Dear Treasurer Johnson,

Qwest Corporation and the Department have agreed to a settlement regarding the value used for the 2005 property tax year. The settled Montana market values were reduced by approximately 2.958% for 2005.

The 2005 revised valuation information has been sent to the Department's local offices in your county so the revised values can be entered into the computer systems. The difference between the originally certified valuation and the value reflected on the revised valuations (a difference of 2.958%) needs to be refunded to Qwest (plus interest as prescribed in 15-1-402, MCA) from your County's 2005 protested tax account. Interest has been calculated at 3.9986% for the 1<sup>st</sup> half payments and 4.4207% for 2<sup>nd</sup> half payments for the 2005 protest period. The remainder can then be released for use by your County.

**Your County has already remitted the State's portion of the protested taxes. Only refund your County's portion from the protested tax account. The State will be responsible for remitting its portion of the owed refund to Qwest.**

If you should have any questions or concerns, please contact me at 406-444-2569, or at my e-mail address listed below.

Sincerely,

Kory Hofland, Unit Manager  
Business Tax & Valuation Bureau  
PO Box 5805  
Helena, MT 59604-5805  
406-444-2569  
[khofland@mt.gov](mailto:khofland@mt.gov)  
<http://www.mt.gov/revenue>

**Cc:**

**Ravalli County Commissioners**

**Ravalli County School Superintendent**

**Randy Wilke**

**Debbie Jurcich**

**Dan Bucks**

**Michele Crepeau, Tax Counsel**

**Peter Crossett, Tax Counsel**

**Brad Blinsmon, Qwest Corporation**

## **MONTANA PROPERTY TAX CLOSING AGREEMENT**

Pursuant to §15-1-211(6), MCA, this Closing Agreement (Agreement) is made by the Montana Department of Revenue (Department) and Qwest Corporation (Qwest), and is effective once fully executed.

### **RECITALS**

A. Pursuant to §15-23-101, MCA, the Department centrally assessed the property of Qwest located in Montana for tax year 2005 (lien dates January 1, 2005) and, pursuant to §15-23-105, MCA, apportioned the values of the property assessed among the counties in which the property is located.

B. Qwest contested the Department's determination of the 2005 market values of its property in the following pending proceedings:

**Qwest Corporation v. Department of Revenue, State Tax Appeal Board  
Docket Number SPT-2005-3 (tax year 2005).**

C. The Department and Qwest have, for purposes of settlement only, resolved their dispute about the Montana market value of Qwest's centrally assessed property for tax years 2005 and desire to settle the controversies without further litigation.

In consideration of the foregoing and the representations and promises made herein, and subject to the terms and conditions of this Agreement, the parties agree as follows:

### **SECTION ONE 2005 Montana Market Value**

For purposes of settlement, the Montana market value of Qwest's centrally assessed taxable property on January 1, 2005, taking into account any reduction for exempt intangible personal property, shall be \$279,250,000.

### **SECTION TWO Recertification and Apportionment of 2005 Market Value to Montana Counties**

Within 30 days after the Effective Date, the Department shall recertify the 2005 Montana market value described in paragraph 1 and shall apportion the recertified values among the counties as provided in §15-23-105, MCA.

**SECTION THREE**  
**Tax and Refund Determined by County**

The appropriate county official will calculate the revised property tax liability for each county where the property is located and issue refunds, if any, from the funds paid in protest to that county by Qwest. Qwest agrees that all property tax liability must be paid to and settled with the appropriate county official.

**SECTION FOUR**  
**Stipulation for Dismissal**

Following Qwest's receipt of the revised assessment(s) for 2005, the parties shall file with the applicable adjudicative body a stipulation to dismiss the pending action with prejudice.

**SECTION FIVE**  
**Scope of Agreement**

----- This settlement applies to Qwest's 2005 centrally assessed property tax liability. Nothing in this settlement shall be construed as determining Qwest's liability with respect to any other tax or liability or any other tax or calendar year, or as determining the liability of any other person or entity. The values set forth in this Agreement are for settlement purposes only and shall not be construed as an agreement by either party about the methodology used to determine the value of the centrally assessed property of Qwest or any other taxpayer.

**SECTION SIX**  
**Notices**

Any notice required to be given under this Closing Agreement, including a change of address, must be in writing. The Department's address for receiving such notice is:

MONTANA DEPARTMENT OF REVENUE  
Legal Services Office  
PO Box 7701  
Helena, Montana 59604-7701

With a copy to:

MONTANA DEPARTMENT OF REVENUE  
Business and Income Tax Division  
PO Box 8018  
Helena, Montana 59604-8018

Qwest's address for purposes of receiving notice is:

Michael McElroy  
Vice-President-Corporate Tax  
Qwest Corporation  
1801 California St, 25<sup>th</sup> Floor  
Denver, Colorado 80202-2658

With copies to:

DENNIS R. LOPACH  
GOUGH, SHANAHAN, JOHNSON  
& WATERMAN  
33 South Last chance Gulch  
PO Box 1715  
Helena, Montana 59624-1715

RICHARD SMITH  
HAWLEY, TROXELL, ENNIS & HAWLEY, LLP  
PO Box 1617  
Boise, Idaho 83701-1617

**SECTION SEVEN**  
**Liaisons**

The Department designates Gene Walborn (406-444-0908), Division Administrator, Business and Income Tax Division, Montana Department of Revenue; and Michele R. Crepeau (406-444-3341), Tax Counsel, Legal Services Division, Montana Department of Revenue as its liaisons to whom Qwest shall direct its communication concerning this Closing Agreement. Qwest designates Roy Adkins (303) 383-6683, Dennis Lopach (406-449-8333) and Richard Smith (208-344-6000) as its liaisons to whom the Department is to direct its communication concerning this Closing Agreement.

**SECTION EIGHT**  
**Costs, Fees, and Expenses; Damages**

Each party shall bear its own costs, fees, and expenses, including attorneys fees, arising in any manner from this dispute and each releases the other, its attorneys, employees, agents and assigns from any liability for such costs, fees and expenses and from any damages, known or unknown, liquidated or unliquidated, arising in any manner from the dispute.

**SECTION NINE**  
**Waiver of Further Appeals**

By entering into this Closing Agreement, each party waives its right to further administrative or judicial appeal of any of the issues related to tax year 2005, except for the right to enforce the terms of this Closing Agreement, or as provided in Section Ten.

**SECTION TEN**  
**Closing Agreement Is Conclusive**

As provided in §15-1-211(6)(b), MCA, this Agreement is final and conclusive and, except upon a showing of fraud, malfeasance, or misrepresentation of a material fact, the Closing Agreement may not (a) be reopened as to matters agreed on or be modified by any officer, employee, or agent of the state, or (b) be annulled, modified, set aside, or disregarded in any suit, action, or proceedings under this Closing Agreement or any determination, assessment, collection, payment, abatement, refund, or credit made in accordance with the Closing Agreement.

**SECTION ELEVEN**  
**Choice of Law and Venue**

This Agreement is governed by the laws of Montana. The parties agree that any litigation concerning it must be brought in the First Judicial District in and for the County of Lewis and Clark, State of Montana and each party shall pay its own costs and attorney fees.

**SECTION TWELVE**  
**Future Legislatures**

As provided in §15-1-211, MCA, nothing in this Closing Agreement shall be construed as binding any future legislature.

**SECTION THIRTEEN**  
**Warranty of Capacity to Execute Agreement**

Qwest and the Department represent and warrant that the undersigned individuals have the authority and capacity to execute this Closing Agreement.

**SECTION FOURTEEN**  
**Legal Review**


The parties have had the opportunity to have this document reviewed by independent legal counsel of their choosing and expressly acknowledge that fact at the time that this agreement is executed.

IN WITNESS WHEREOF, the Montana Department of Revenue and Qwest have executed this Closing Agreement at the place and the day and year first above written.

**MONTANA DEPARTMENT OF REVENUE**  
**STATE OF MONTANA**  
Sam W. Mitchell Building  
125 North Roberts  
Helena, Montana 59620

**QWEST CORPORATION**  
1801 California Street  
Denver, Colorado 80202-2658

  
\_\_\_\_\_  
DAN BUCKS, Director  
Montana Department of Revenue

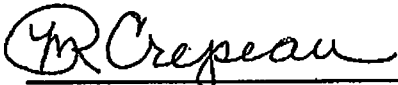
  
\_\_\_\_\_  
JOHN RICHARDSON  
Senior Vice President-Controller  
Finance

DATED 1-08-2007

DATED December 13, 2006

This Closing Agreement has been reviewed by counsel for the parties and is also approved as to form and legal content.

**MONTANA DEPARTMENT OF REVENUE**



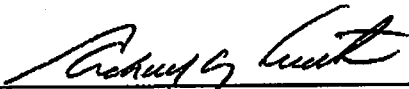
**MICHELE R. CREPEAU**, Senior Tax Counsel  
PO Box 7701  
Helena, Montana 59604-7701  
(406) 444-3341

**GOUGH, SHANAHAN, JOHNSON & WATERMAN**



**DENNIS R. LOPACH**  
PO Box 1715  
Helena, Montana 59624-1715  
(406) 442-8560

**HAWLEY, TROXELL, ENNIS & HAWLEY LLP**



**RICHARD G. SMITH**  
PO Box 1617  
Boise, Idaho 83701-1617  
(208) 344-6000